Supplemental Reporting Document
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June 2006 Investment Committee Meeting
(April 2006 Reporting Period)

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June 19, 2006

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Semi-Annual Report - Wilshire

II. PROGRAM: Alternative Investment Management (AIM) Program

III. RECOMMENDATION: Consent

IV. ANALYSIS:

Background

At the August 1997 meeting, the Investment Committee requested that a consultant be retained to provide an independent analysis of the performance of the AIM Program and its consultants. Wilshire Associates was chosen to prepare the semi-annual performance reports. The report has been reviewed by the Performance Monitoring Unit.

Wilshire's report for the period from the Program's inception (1990) through December 31, 2005 is provided in the Wilshire AIM Market Review and Performance Analysis Report (Attachment 1).

V. STRATEGIC PLAN:

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

VI. RESULTS/COSTS:

Attached is the performance report prepared by Wilshire Associates for the AIM Program from its inception (1990) through December 31, 2005.

Dana C. Warmenhoven
Investment Officer I
Performance Monitoring Unit

Matt Flynn
Interim Division Chief

Anne Stausboll
Interim Chief Investment Officer

ATTACHMENT 1

Alternative Investment Management (AIM)
Market Review & Performance Analysis
For the period ended December 31, 2005

Introduction

The purpose of this report is to discuss the market environment for alternative investments and to compare the performance of CalPERS' AIM Program versus the market. This report is divided into three sections:

1. Performance: The first section lists the December 31, 2005 market values and the performance since inception of the different sectors in the AIM Program.
2. Universe Comparison: The second section compares the performance of AIM's buyout, mezzanine, and venture capital investments to their respective universes on a vintage year basis.
3. Market Environment: The third section will discuss the general market environment for buyouts, venture capital, as well as distressed and mezzanine debt, and the overall European private equity market.

The investment profile of CalPERS' AIM Program ("the Program") is shown in Exhibit I below. The majority of the Program's assets are invested in buyout funds (corporate restructuring), investment vehicles, and venture capital.

Exhibit I
AIM Program Investment Profile
As a Percentage of Active & Exited Commitments[1]

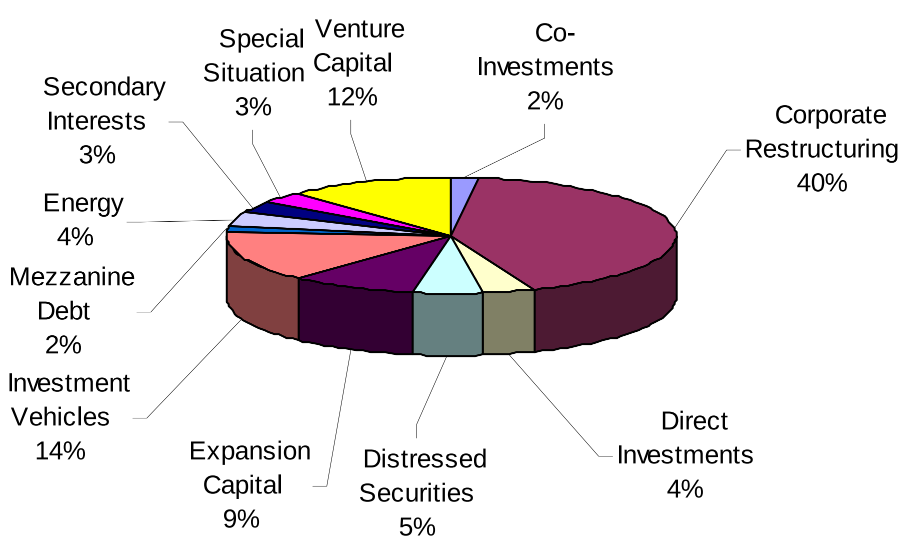


Exhibit II displays the performance of CalPERS' AIM Program.

[1] Investment Vehicles include California Emerging Ventures I, California Emerging Ventures II, California Emerging Ventures III, California Initiative, and PCG Corporate Partners Program.

Exhibit II
AIM Program Summary

Investment Category	Active Commitments ($mil)[2]	IRR 12/31/2005[3]
Co-Investments	$531.0	0.4%
Corporate Restructuring	11,112.8	15.9
Direct Investments	1,029.7	21.3
Distressed Securities	1,287.4	22.7
Expansion Capital	2,454.0	3.7
Investment Vehicles[4]	3,784.9	0.7
Mezzanine Debt	448.7	1.5
Secondary Interests	837.3	17.7
Special Situations	870.8	6.9
Energy	967.9	15.8
Venture Capital	3,193.1	7.3
Total Commitments	$26,517.6	12.2%

- As of December 31, 2005 the AIM Program had total commitments of $28.4 billion and active commitments of $26.5 billion.
- As of December 31, 2005, the AIM Program has generated a net internal rate of return ("IRR") of 12.2%. The inception date was March 1990. As of December, 2005, the ten-year rolling average return for the CalPERS Wilshire 2500 Index was 9.0%. The public markets performance has improved over the past couple of years, and the performance of the AIM program should improve as there is typically a lag in the valuations in the private market to those of the public market. In addition, the AIM program is still young and only has an average age of 4.5 years and therefore the majority of the portfolio is still in the early stage of its investment life. To address the young age of the AIM portfolio, CalPERS adopted a short-term benchmark. The benchmark measures performance of partnerships in the first five years of life against Venture Economics' universe data. As of December 31, 2005, the AIM Program's young funds produced an IRR of 19.6%, which ranks above the Custom Venture Economics Young Fund Universe median return of 3.6%[5]. Analysis of alternative private equity benchmarks indicates that the Custom Venture Economics Young Fund Universe is a more representative benchmark for the AIM Program, as it compares the Program's young funds to a similar universe.
- The performance of the Program's younger funds is affected by the "J-curve." The "J-curve" references the typical pattern of investment returns exhibited by private investments. This occurs because managers' investments are carried at cost until there is a tangible basis for changing an investment's valuation. The significant outperformance of the CalPERS' AIM Program in the face of the J-curve phenomenon is a function of will-rewarded deal selection.

[2] Includes all active commitments (in $ millions) as of December 31, 2005.
[3] IRRs are provided by State Street PrivateEdge. The inception date for the AIM program is March 1990, but investment categories may have different inception dates.
[4] Investment vehicles include California Emerging Ventures, California Emerging Ventures II, California Emerging Ventures III, California Initiative, and Corporate Partners Program.
[5] The Venture Economics young fund universe information is preliminary. Venture Economics releases preliminary information to Wilshire and CalPERS when its database is at least 65% populated.

- The Program's buyout funds represent the single largest investment category in which the Program is invested. The buyout investments ranked very favorably versus the buyout universe provided by Venture Economics, outperforming the universe median during almost all vintage years. Through December 31, 2005 the buyout funds yielded a return of 14.0%. The buyout funds are classified in the Corporate Restructuring and the Expansion Capital investment categories in Exhibit II. An annual detailed universe comparison is provided on Page 4 of this report.
- Venture capital showed a positive IRR of 7.3% as of December 31, 2005. As shown on page 5, the median IRR with the exception of 1998 and 2002 has performed well in comparison to the venture capital universe. An annual detailed universe comparison is provided on Page 5 of this report.

Universe Comparison Information
For the period ended December 31, 2005

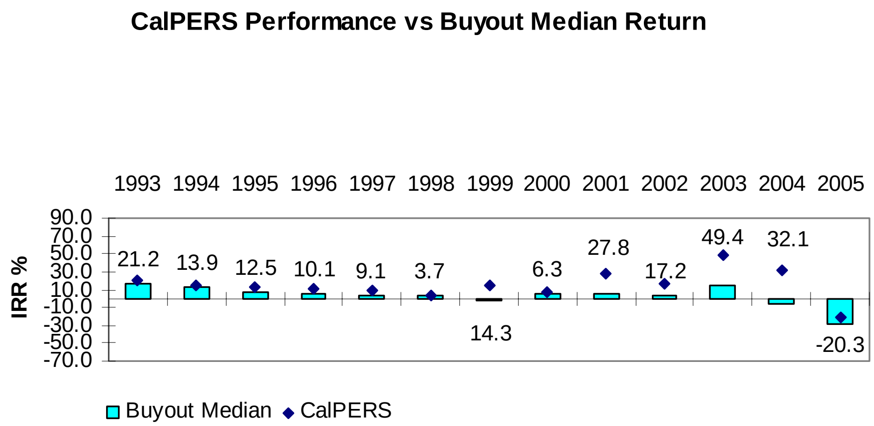
This section of the report will focus on the Program's performance versus a universe of its peers, provided by Venture Economics (VE)[6]. Specifically, there are three primary categories of alternative investments in which CalPERS invests. The categories are buyouts, mezzanine and venture capital.

Each investment category is presented in a separate chart below. The universe median is plotted for each vintage year. This represents the return that falls at the 50th percentile of the specific asset category universe. CalPERS' performance, for funds in the asset category, is also plotted by vintage year (e.g., all buyout funds that were initiated in 1996 are aggregated into a composite internal rate of return for that vintage year). These universe charts will not show a ranking for CalPERS for those vintage years during which CalPERS had no investments. The vintage year format of performance reporting is consistent with the requirements of the CFA Institute.

The public equity markets were up in 2005 as the Fed raised the discount rate every quarter due to inflation fears, but investors were undeterred and focused on improved employment numbers and higher consumer confidence figures. As the public markets returns increased, many investors committed capital to the private markets. Venture capital and buyout fundraising increased from 2004 and could be the largest amount raised since 2002, but the number of companies that received funds decreased. When evaluating the performance of the young funds (1999-2004) below the historical returns may not be indicative of the investments' future potential as the J-Curve may have affected performance.

Exhibit III displays the VE Buyout Universe versus CalPERS' performance in this asset category. CalPERS' buyout funds outperformed the universe median across all vintage years. The numbers in the charts represent CalPERS' IRRs.

Exhibit III[7]



[6] CalPERS has contracted with Venture Economics (VE), a database vendor, to obtain peer group comparison information. VE, in turn, provides this information to Wilshire. VE's buyout and venture capital databases are quite large and should provide a meaningful basis for comparison. The mezzanine database has much fewer data points and, therefore, is a less meaningful reference point.

[7] Source: Venture Economics. This universe contains 10-60 funds per vintage year.

Exhibit IV below shows the CalPERS mezzanine performance compared to the VE Mezzanine Universe. Mezzanine has been a relatively small area of investment in the Program. The Program's funds has generated mixed performance when compared to the universe median. The segment has outperformed in 1992, 1994, 1998, and 1999, while trailing in 1996, 1997, and 2001. There were insufficient funds in the Venture Ecomomics database to issue a median return for 2003-2005. Most recently, there are only three funds in the Venture Economics database.

Exhibit IV[8]

CalPERS Performance vs Mezzanine Median Return

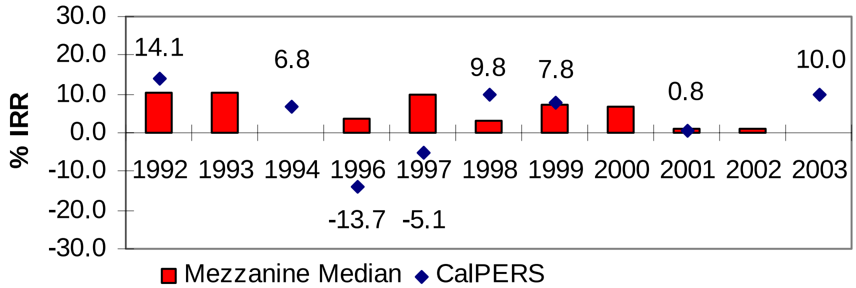
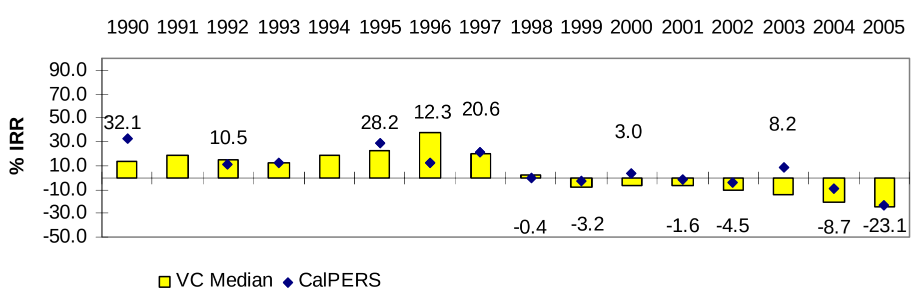


Exhibit V displays the VE Venture Capital Universe. The Program's performance in this segment has been mixed. CalPERS' venture capital funds have outperformed the universe median during most vintage years, with insufficient data for 1991 and 1994. Please note that these investments are still fairly young and their relative performance may not be indicative of future potential.

Exhibit V[9]

CalPERS Performance vs Venture Capital Median Return



[8] Source: Venture Economics. The mezzanine median for 1994 and 2003 are not shown due to an insufficient universe size. CalPERS does not have mezzanine investments for 1993, 1995, 2000, and 2002.

[9] Source: Venture Economics. This universe contains an average of approximately 50 funds per vintage year/ CalPERS did not have performance date for 1991 and 1994.

Market Environment

Public Markets & Alternative Investment

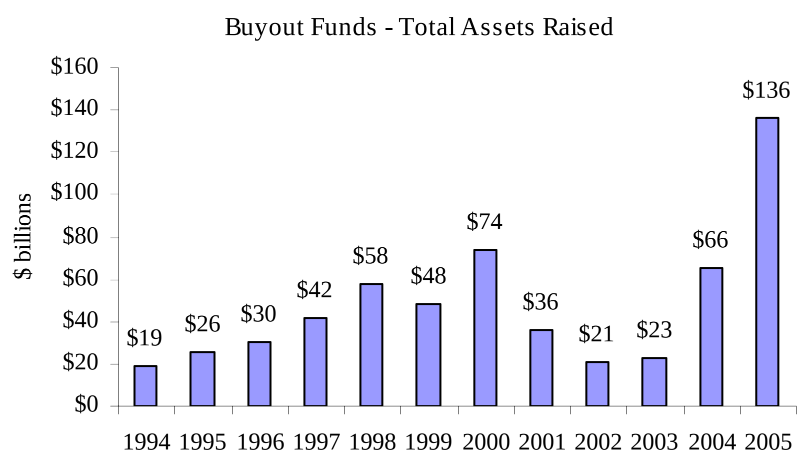
U.S. equity markets had positive returns for 2005, as evidenced by the Dow Jones Wilshire 5000 Index and the S&P 500 Index returns of 6.4% and 4.9%, respectively. Non-U.S. equity markets also had gains for 2005 in base currency terms as investors bought into emerging markets. Though the Federal Reserve continued its policy of raising the Federal Funds Rates, and General Motors bonds were downgraded to below investment grade, the U.S. bond markets showed positive returns as foreign investors bought U.S. dollar dominated issues and drove the prices up. High yield bonds slightly lagged investment grade issues as investors flocked to quality.

The private equity market environment continues to improve as evidenced by several large private equity deals as highlighted by SunGard Data Systems and Toys "R" Us, Inc. The increase in acquisition activity is due to a growing number of institutional investors investing in private equity and the low interest rate environment, which created a large pool of available funds. While the numbers below reaffirm a good period for private equity investments, one should note that there have been few IPO's for venture capital backed companies and many funds turned money away once they reached their targets for the year, and analysts are wondering where the money will be invested. The IPO market, with the exception of 2004, has slowed down considerably since the technology bubble, and merger and acquisitions activity has increased.

Buyout Funds

According to Venture Economics, buyout funds ended 2005 with an impressive total of $136 billion and topped the $74 billion raised in 2000 (Exhibit VI).

Exhibit VI[10]



Investment activity within buyout funds has increased as debt capital continues to be available at relative low interest rates, and this has allowed buyout firms to tap into the market for leveraged buyout financing. The surge in buyout activity was fueled by 17 mega funds. One fund, Blackstone Capital's fifth fund, raised over $11 billion during the 4th quarter alone. Also, some firms are pooling their assets to finance deals. This was evidenced by the SunGard Data Systems purchase

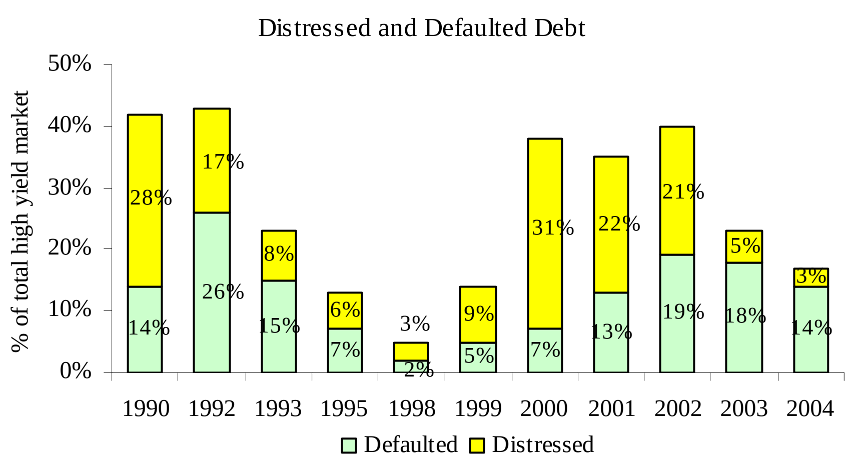
[10] Source: Venture Economics.

by a group of seven private equity investors. The deal went over $11 billion and was the largest leveraged buyout since 1989. However, deals are occurring with aggressive financing that are causing debt multiples to increase.

Distressed and Mezzanine Debt

The high yield market showed positive results in 2005 benefiting from the improved corporate profits in all areas of the market, and from investors buying high-yield bonds for their yields. Exhibit VII below shows the percentage of distressed and defaulted debt within the overall high yield market. From 1993 to 1999, defaults in the high yield market had been rather benign, but corporate scandals and bankruptcies pushed those numbers up quickly in 2000-2002. The last time the high yield bond market traded in a similar pattern was during the 1990-1992 period. In 1990, roughly 28% of the high yield market traded at distressed levels[11], and 14% of the market consisted of defaulted bonds. Since 2003, the levels of defaulted and distressed debt have decreased. At the end of 2004, the levels stood at 3% and 14%, respectively, dramatically lower than the figures reported for 2000-2002. According to the Altman Index, a leading indicator of trends within the high yield market, the default risk for high yield bonds in 2005 will most likely remain similar to the low level in 2004, due to low interest rates and economic growth.[12]

Exhibit VII[13]

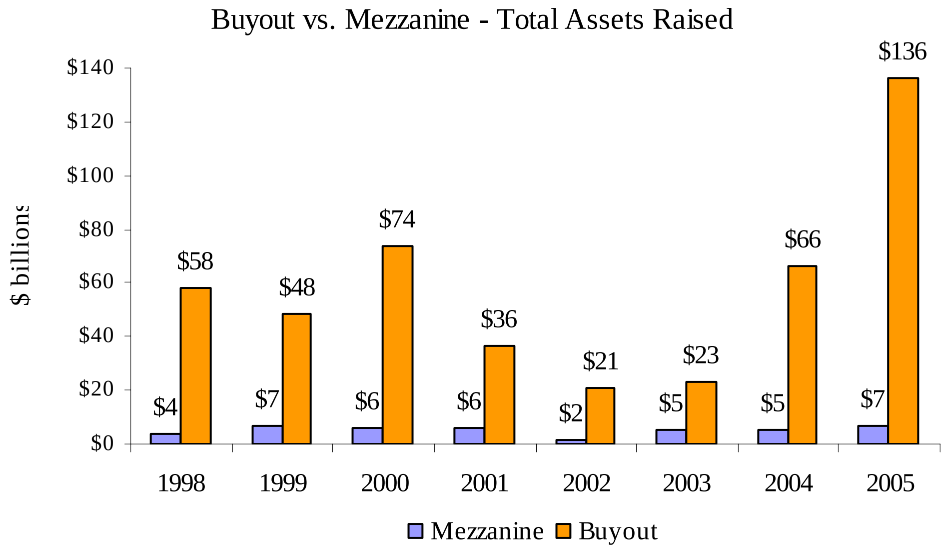


Mezzanine fundraising has historically been approximately 10% of the capital raised by buyout funds (Exhibit VIII), but in 2005 the section continued to attract less money than buyouts funds and fundraising dipped to around 5% of buyouts. Part of the reason mezzanine debt has become a less popular borrowing vehicle. Mezzanine debt is a subordinated position and the equity warrants attached make these securities an expensive form of debt. During most of the 1990s, the high availability of high yield bond financing significantly reduced the importance of the mezzanine market. However, mezzanine debt has become more popular since the late 1990s for two reasons. First, many commercial banks tightened their lending standards given the extraordinarily high level of corporate defaults after the burst of the technology bubble, followed by accounting scandals that rocked the financial markets. Second, the high yield market has become more difficult to access, as the minimum threshold for new high yield offering has increased to above $150 million from $100 million. Many small to medium-sized companies resorted to mezzanine debt to finance acquisitions, capital expenditures, or recapitalizations, but the era appears to be changing. These

[11] Exhibiting a yield spread of greater than 10% versus comparable maturity Treasury bonds.
[12] Source: Commonfund Capital, Inc.
[13] Source: NYU Salomon Center and Citigroup.

companies cannot utilize the high yield market to raise money due to the aforementioned issuance threshold. However, this means that mezzanine financing is usually confined to the middle-market. Mezzanine deals in the U.S. seldom exceed $50 million.

Exhibit VIII[14]



Venture Capital

Venture capital fundraising has steadily increased during the last two years. In 2005 venture capital firms raised approximately $44 billion (Exhibit IX).

Exhibit IX[15]

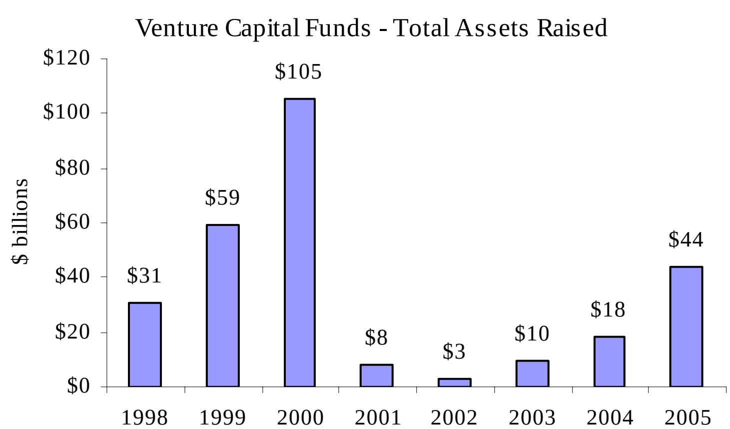


Exhibit X[16]

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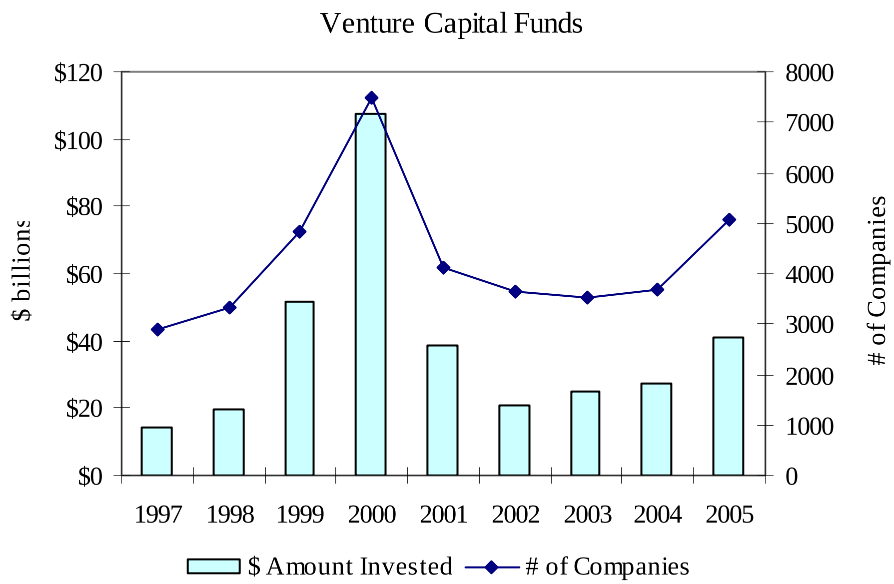
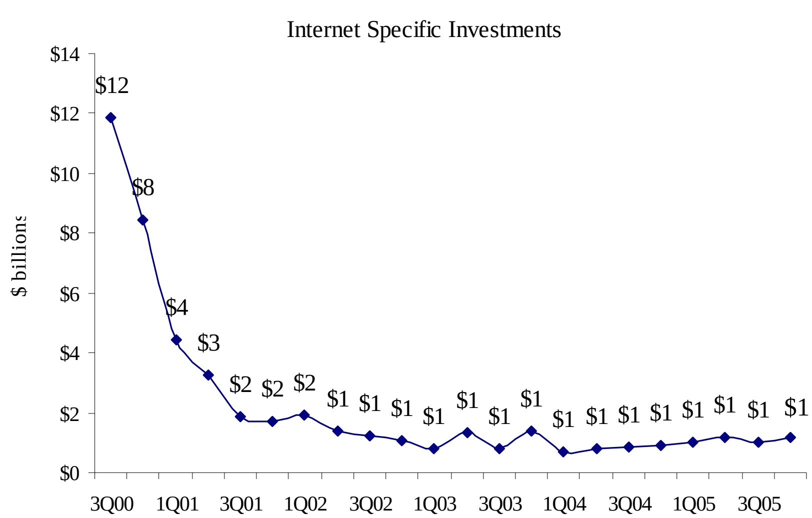
[14] Source: Venture Economics.

[15] Source: Venture Economics.



The pace of investing within the venture capital markets in 2005 continues to increase (Exhibit X). Venture Capital saw commitments outpace investments dollars because of exit strategies continuing to become increasing available and then venture capital fund raising and investing have followed suit. The investment environment is much improved when compared to the early 2000, when liquidity in the public markets was weak and the economy was mired in a minor recession. The improvement can be seen by late stage funding reaching a four-year high, and investments in Start-up and Early Stage Companies are at a three-year high.[17] Internet-specific investments have decreased dramatically since 2000, but the decline has stabilized over the past several years and slightly increased in the second-half of 2005 (Exhibit XI).

Exhibit XI[18]



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[16] Source: Venture Economics.

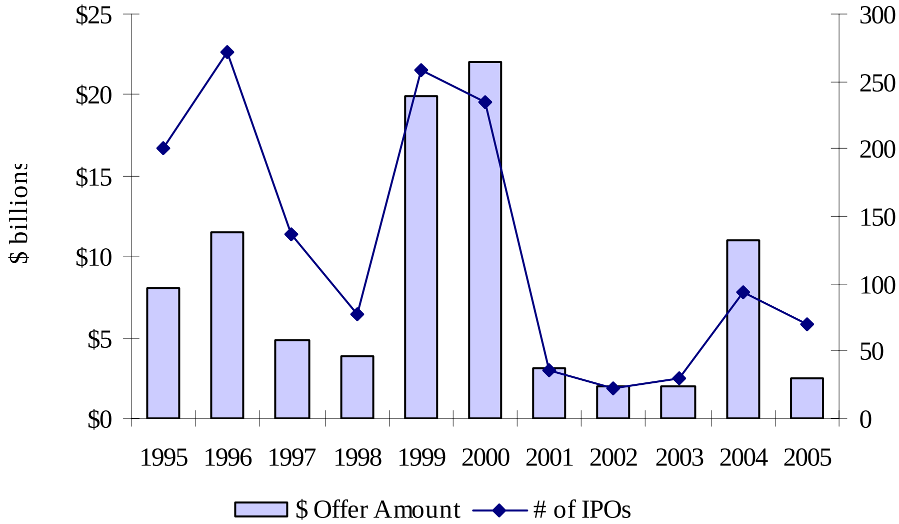
[17] Source: The Money Tree Survey by Pricewaterhouse Coopers

[18] Source: Venture Economics.

Initial Public Offering ("IPO") activity within the venture capital market decreased since 2004 when Google was one of the largest IPO's in recent years, but is still higher than in the early 2000s, (Exhibit XII). The majority of 2005 IPO's were from the Life Sciences (Biotechnology and Medical Devices, together) sector with LHC Group LLC, which raised $67.2 million. One of the largest IPO's was China Techfaith Wireless which raised $141.8 million.

Exhibit XII[19]

IPO Assets vs. Number of IPOs



European Investing

European markets also saw an increase in private equity fund raising activity during 2005, with a total of $68 billion raised with the majority of the funds going to U.K. (Exhibit XIII). The U.K. led all countries in terms of investments, with France in second during 2005 (Exhibit XIV). The U.K. was the first non-U.S. private equity market to emerge and has matured substantially since. Germany and France have gained momentum as buyouts have become more prevalent within the European region, fueled by interest from U.S. investors. In addition, the strength of the Euro has provided European private equity investors increased confidence and has given investors the opportunity to focus on their businesses rather than on currency risk. Europe continues to be regarded as an untapped resource and is anticipated to garner increased activity, particularly within the buyout sector.

[19] Source: Venture Economics.

Exhibit XIII[20]

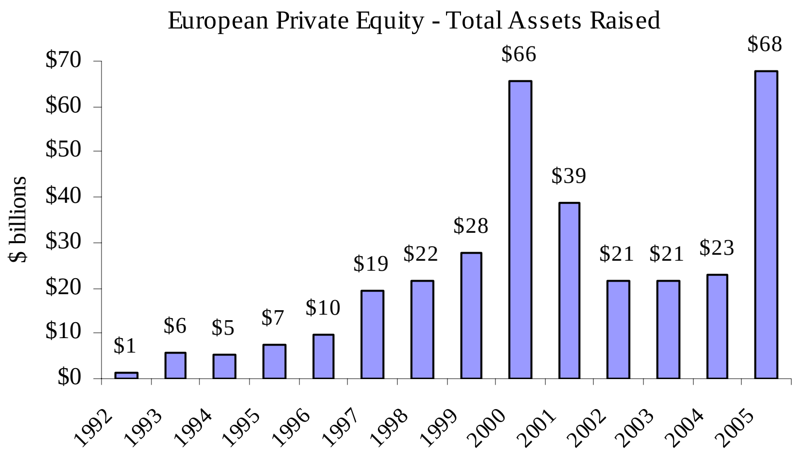
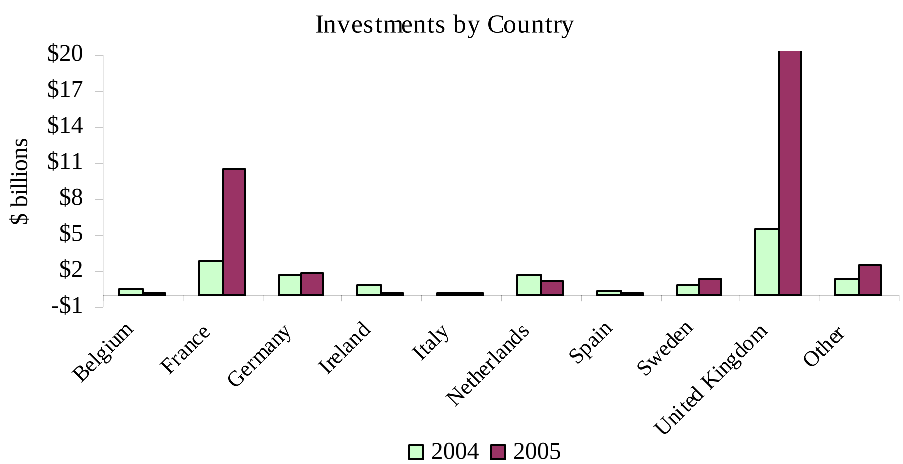


Exhibit XIV[21]
Through December 31st, 2005



[20] Source: Venture Economics.
[21] Source: Venture Economics.

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June 19, 2006

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Quarterly Performance/Annual Review Reports

II. PROGRAM: Affiliate Funds

III. RECOMMENDATION: Information

IV. ANALYSIS:

Attached is Wilshire Associates' Executive Summary of Investment Performance of the CalPERS Affiliate Funds for the period ended March 31, 2006. The report was prepared entirely by Wilshire and based solely on its compilation and analysis of the data. The report was reviewed by the Performance Monitoring Unit to substantiate the performance returns.

V. STRATEGIC PLAN:

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

VI. RESULTS/COSTS:

This item provides information to Investment Committee members on the assets and performance of the fund. Wilshire Associates, our general pension consultant, produces this report as one of their contract requirements.

Dana C. Warmenhoven
Investment Officer I

Matt Flynn
Interim Division Chief

Anne Stausboll
Interim Chief Investment Officer

Executive Summary

of Investment Performance

Prepared for
California Public Employees' Retirement System Affiliate Funds

First Quarter 2006

Capital Market Overview

- During the first quarter of 2006, improved employment numbers fueled optimism in investors as the US and global stock markets soared. However, the Federal Reserve Board continued its inflation-fighting operations, raising the Fed Funds overnight rate to 4.75% in two 25 basis-point increases as Ben Bernanke took leadership of the Fed and indicated he would be as diligent an inflation-fighter as outgoing Fed Chair, Alan Greenspan. The US stock market was in positive territory with the Dow Jones Wilshire 5000 Index and the S&P 500 Index returning 5.4% and 4.2%, respectively, as investors overlooked rising oil prices and Iran's troublesome nuclear program. The Telecommunications Services Sector was the top performing sector with a return of 15.0%, while the Utilities Sector, hindered by high energy prices, was the worst-performer returning -0.1%. In the first quarter, growth was favored strongly over value among small-cap stocks (DJW Small Growth, 13.94%; DJW Small Value, 11.41%); however, among larger-cap stocks, value was favored over growth (DJW Large Value, 4.96%; DJW Large Growth, 3.52%). From a size standpoint, small stocks outperformed versus large stocks, while micro cap stocks was the top performing segment (Wilshire Micro Cap, 13.9%; DJ Wilshire Small Cap 1750, 12.6%; DJ Wilshire Large Cap 750, 4.3%).

- Non-US equity markets continued to produce strong returns as the MSCI ACWI ex-US returned 9.8% in USD and 8.5% in local currency. European stocks were higher on mergers and acquisitions and outperformed versus the Pacific Region (MSCI Europe 10.8% in USD; MSCI Europe 8.7% in local currency; MSCI Pacific 6.7% in USD; MSCI Pacific 7.1% in local currency). The emerging markets continued to outperform the developed markets as the MSCI EMF Index returned 12.1% in USD and 9.7% in local currency versus the MSCI EAFE Index return of 9.4% in USD and 8.2% in local currency.

- The Federal Reserve continued its policy of raising the discount rate to keep inflation in check. The US Treasury yield curve continued to flatten as short-term yields increased due to higher Fed Funds overnight rates, but longer-term yields were hampered by continued demand for longer-term bonds. The Lehman Aggregate Bond Index was down during the quarter, returning -0.6%. Among the Lehman sectors, the Mortgage sector outperformed the Credit sector, returning -0.1% and -1.2%, respectively, for the quarter. Not surprisingly in a rising interest-rate environment, short-term Treasuries (Lehman 1-3 Year Treasury, 0.35%) outperformed longer-term Treasuries (Lehman Long Term Treasury, -3.62%). High yield bonds outperformed versus investment grade bonds as the Citigroup High Yield Cash Pay Index reported a 2.8% return. The international bond markets beat the U.S. bond market as global bonds performed similarly to their US counterparts. The Citigroup Non-US Government Bond Index generated a return of -0.2% during the quarter.

- The public real estate securities market, as represented by the Dow Jones Wilshire Real Estate Securities Index ("DJWRESI"), continued to be red-hot and posted a return of 15.4% for the quarter. The one year return is a robust 40.6%. The NCREIF Property Index reported a return of 3.6% for the quarter, reflecting the fact that the index is measured on an appraised basis.

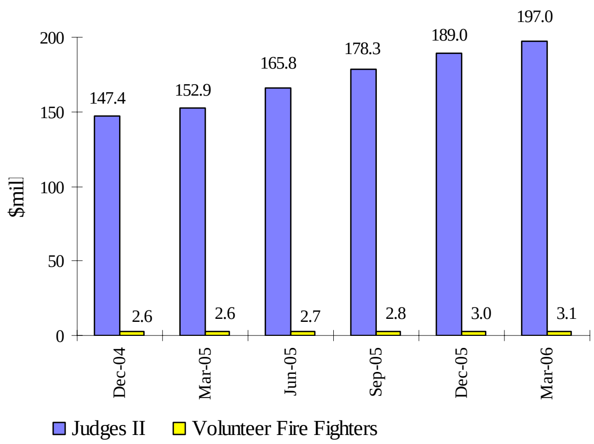
Summary of Index Returns

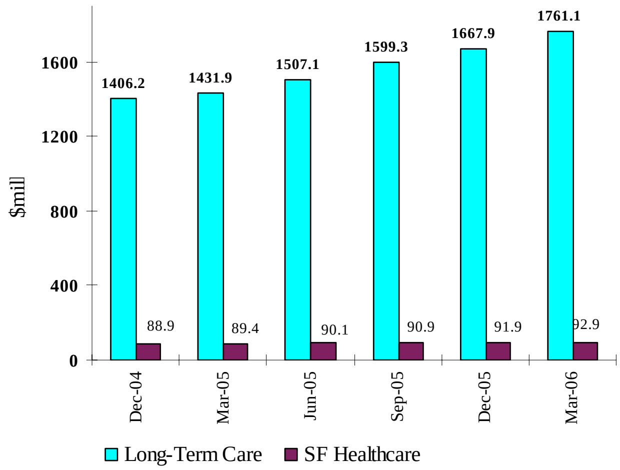
For Periods Ended March 31, 2006

	Quarter	One Year	Three Years	Five Years	Ten Years
Domestic Equity					
Standard & Poor's 500	4.20%	11.71%	17.21%	3.96%	8.95%
Dow Jones Wilshire 5000	5.44	14.72	19.67	5.95	9.13
Dow Jones Wilshire 4500	9.53	24.76	28.37	12.65	10.16
Wilshire Large Cap 750	4.30	13.04	18.05	4.74	9.01
Wilshire Small Cap 1750	12.64	25.92	31.02	14.70	11.57
Wilshire Micro Cap 2500	13.89	25.64	35.42	22.79	15.10
Domestic Equity					
Wilshire Large Value	4.97%	11.32%	20.16%	7.23%	10.20%
Wilshire Large Growth	3.52	14.97	16.05	2.35	7.39
Wilshire Mid Value	7.76	18.60	23.81	12.67	13.95
Wilshire Mid Growth	9.48	27.86	30.63	12.50	8.46
Wilshire Small Value	11.41	22.49	29.26	16.54	14.37
Wilshire Small Growth	13.94	29.62	32.74	12.55	8.02
International Equity					
MSCI All World ex U.S.	9.76%	28.12%	33.50%	11.77%	7.35%
MSCI EAFE	9.39	24.40	31.13	9.63	6.49
MSCI Europe	10.76	20.64	30.76	9.46	10.10
MSCI Pacific	6.70	33.04	31.73	9.92	1.55
MSCI EMF Index	12.12	47.98	46.65	23.57	7.56
Domestic Fixed Income					
Lehman Aggregate Bond	-0.64%	2.26%	2.92%	5.11%	6.29%
Lehman Credit	-1.16	1.83	3.71	5.97	6.61
Lehman Mortgage	-0.07	2.68	3.12	4.86	6.21
Lehman Treasury	-1.23	1.95	2.10	4.62	6.04
Citigroup High Yield Cash Pay	2.79	6.55	11.47	8.43	7.08
91-Day Treasury Bill	1.03	3.53	2.09	2.24	3.83
International Fixed Income					
Citigroup World Gov. Bond	-0.42%	-4.80%	4.49%	7.50%	5.15%
Citigroup Non-U.S. Gov. Bond	-0.18	-6.48	5.10	8.31	4.57
Citigroup Hedged Non-U.S. Gov.	-0.92	3.45	3.46	4.37	6.99
Currency*					
Euro vs. $	2.59%	-6.89%	3.51%	6.48%	-.-%
Yen vs. $	0.03	-9.35	0.17	1.21	-0.99
Pound vs. $	1.04	-8.21	3.15	4.06	1.28
Real Estate					
Dow Jones Wilshire REIT Index	15.79%	42.17%	33.14%	22.95%	16.75%
Dow Jones Wilshire RESI	15.38	40.61	33.94	22.69	16.29
NCREIF Property Index	3.62	20.19	15.07	11.67	12.23

*Positive values indicate dollar depreciation.

Growth in Assets





Total Fund Performance Results

Total Fund Performance
Periods Ended March 31, 2006

	Qtr	One Year	Three Year	Five Year	Ten Year
Judges II	4.2%	13.3%	15.1%	6.5%	-.-
Weighted Policy Benchmark [1]	*4.3*	*12.1*	*14.6*	*6.4*	-.-
Long Term Care ("LTC")	3.3	11.2	14.7	6.1	-.-
Weighted Policy Benchmark	*3.3*	*9.7*	*14.0*	*5.9*	-.-
Volunteer Firefighters ("VFF")	5.0	17.1	15.1	6.4	9.3
Weighted Policy Benchmark	*5.0*	*14.6*	*14.3*	*6.2*	*9.1*
SF Healthcare	1.1	3.9	2.6	2.8	-.-
TUCS Public Fund Median [2]	*4.3*	*12.4*	*15.0*	*6.9*	*8.6*

[1] The weighted policy benchmark returns for Judges II, LTC, and VFF are based on asset class index returns weighted by asset class policy targets.

[2] The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolio returns subdivided by client type and asset class.

Asset Allocation

	Judges II Actual	Judges II Policy	Diff	LTC Actual	LTC Policy	Diff	VFF Actual	VFF Policy	Diff
US Equity	33.9%	34.0%	-0.1%	29.4%	29.0%	0.4%	34.3%	34.0%	0.3%
Int'l Equity	20.5	20.0	0.5	19.4	19.0	0.4	20.7	20.0	0.7
US Bonds	34.8	36.0	-1.2	29.5	30.0	-0.5	34.5	36.0	-1.5
High Yield	0.0	0.0	0.0	10.0	10.0	0.0	0.0	0.0	0.0
TIPS	0.0	0.0	0.0	6.5	7.0	-0.5	0.0	0.0	0.0
Real Estate	10.7	10.0	0.7	5.2	5.0	0.2	10.1	10.0	0.1
Cash	0.1	0.0	0.1	0.0	0.0	0.0	0.4	0.0	0.4
Total	100.0	100.0	0.0	100.0	100.0	0.0	100.0	100.0	0.0

Commentary

- Judges II , VFF, and LTC all matched their respective weighted policies during the first quarter of 2006. Among the three plans, LTC had the highest allocation to high yield, which performed better than core fixed income and the TIPS over the quarter, and it helped performance.

Internal U.S. Equity Performance
Periods Ended March 31, 2006

	Qtr	One Year	Three Year	Five Year	Ten Year
Judges II U.S. Equity	4.3%	11.7%	17.0%	3.9%	-.-
Custom Benchmark [3]	*4.3*	*11.5*	*16.9*	*3.9*	-.-
LTC U.S. Equity	4.3	11.7	17.0	3.9	-.-
Custom Benchmark [3]	*4.3*	*11.5*	*16.9*	*3.9*	-.-
VFF U.S. Equity	5.4	14.3	17.9	4.3	9.0
Custom Benchmark [4]	*5.3*	*13.2*	*17.5*	*4.2*	*9.0*
TUCS Equity Median	5.4	15.5	21.8	6.6	10.3

[3] A tobacco-free S&P 500 is used as the benchmark for the U.S. equity segments of Judges II and LTC starting with February 2001 performance.

[4] The benchmark is Russell 3000 from July 2005 and on. Prior of that the benchmark was the tobacco-free S&P 500 Index.

Commentary

- The U.S. stock market ended the first quarter of 2006 in positive territory, with the Dow Jones Wilshire 5000 Index returning 5.4% and the S&P 500 Index returning 4.2%. From a sector standpoint, Telecommunication Services (15.0%) and Materials (10.0%) were the best performers, while Utilities (-0.1%) was the worst. Performance across style and size spectrums was mixed, with value outperforming growth in the large cap space and growth beating value in the small cap space.

- All three equity funds mirrored their respective policies for the quarter, and are performing in line with expectations over the long term. The Judges II and LTC portfolios, which buy into the custom S&P 500 Index fund, trailed the TUCS Equity Median Manager return during the quarter. VFF's equity portfolio, which holds the exchange traded Russell 3000 Index fund, matched the TUCS Equity Median Manager for the same period.

International Equity Performance

International Equity Performance
Periods Ended March 31, 2006

	Qtr	One Year	Three Year	Five Year
Judges II Int'l Equity	9.4%	24.6%	31.4%	9.8%
LTC Int'l Equity	9.4	24.6	31.4	9.9
VFF Int'l Equity	9.2	-.-	-.-	-.-
MSCI EAFE	9.4	24.4	31.1	9.6

Commentary

- The Non-US equity markets enjoyed another great performing quarter, outpacing the US equity markets. With the weakening of US Dollar against major currencies, benchmarks across the board produced higher returns in US Dollar terms. The MSCI ACWI ex-US Index, which includes both developed and emerging markets, returned 9.8% in USD and 8.5% in local currency. The emerging markets, as defined as the MSCI EMF Index, returned 12.1% in USD and 9.7% in local currency and continued to outperform the developed markets (MSCI EAFE Index, 9.4% in USD, 8.2% in local currency). From a regional standpoint, Europe (10.8% in USD) outperformed Pacific Basin (6.7% in USD) during the quarter.

- Judges II, LTC and VFF's international equity portfolios matched the performance of the MSCI EAFE Index for the quarter. Judges II and LTC's portfolios, with longer track record, also displayed positive tracking error relative to the MSCI EAFE Index over the 1-year, 3-year, and 5-year period.

Total Fixed Income

Fixed Income Performance
Periods Ended March 31, 2006

	Qtr	One Year	Three Year	Five Year
Judges II Fixed Income	-1.7%	2.3%	3.4%	5.4%
LTC Fixed Income	-1.7	3.5	3.9	5.7
VFF Fixed Income	-0.4	6.3	4.8	6.3
Lehman Aggregate Bond Index	-0.6	2.3	2.9	5.1
Lehman Long Liability	-1.8	2.2	-.-	-.-
Lehman Long Liability ex TIPS ex HY	-1.9	-.-	-.-	-.-
Lehman Long Liability ex TIPS	-1.7	-.-	-.-	-.-
Citigroup LPF Index	-1.9	2.2	3.9	6.1
TUCS Fixed Income Median	-0.3	2.7	3.5	5.5
LTC High Yield	3.4	-.-	-.-	-.-
LTC TIPS	-3.1	-.-	-.-	-.-
Lehman Long Liability High Yield	2.7	7.2	-.-	-.-
Lehman Long Liability TIPS	-3.3	0.3	-.-	-.-

Commentary

- The bond markets declined during the quarter, with the Lehman Aggregate Bond Index returning -0.6%, as short term rates continue to climb. Among the Lehman sectors, Treasury (-1.2%) produced the lowest return while Mortgage (-0.1%) produced the highest. High yield bonds outperformed its investment grade counterpart, as the Citigroup High Yield Cash pay Index was in the positive territory, returning 2.8% for the quarter. Non-US bonds continued to lag the U.S. bond markets as the Citigroup Non-US Government Bond Index returned a -0.2% in USD term.

- The Judges II portfolio, which includes the core fixed income composite as well as the Affiliate High Yield and TIPS composites, added value relative to its benchmark, the Lehman Long Liability Index, for the quarter. The LTC portfolio is a core portfolio that excludes High Yield and TIPS composites and it outperformed its objective, the Lehman Long Liability ex TIPS ex HY Index. The VFF's portfolio, which only holds the iShares of Lehman Aggregate ETF, also outpaced its benchmark, the Lehman Aggregate for the same period. All three portfolios outperformed versus the Citigroup LPF Index but trailed the TUCS Fixed Income Median during the quarter, while VFF has beaten both broad measures for all longer periods.

- The LTC High Yield composite outperformed its objective, Lehman Long Liability High Yield Index, over the quarter. LTC's TIPS composite also added value relative to the Lehman Long Liability TIPS Index for the quarter.

Total Real Estate

Real Estate Performance
Periods Ended March 31, 2006

	Qtr	One Year	Three Year	Five Year
Judges II REIT	16.0%	35.9	-.-	-.-
LTC REIT	15.9	-.-	-.-	-.-
VFF REIT	16.0	35.5	-.-	-.-
DJ Wilshire REIT Index	15.8	42.2	33.1	23.0
TUCS Real Estate Median	4.2	20.5	15.8	12.0

Commentary

- The U.S. public real estate securities market delivered strong gains during the first quarter, with the Dow Jones Wilshire Real Estate Securities Index (DJW RESI) returning 15.8%. The one year return is an impressive 40.6% as the market continued its expanding trend. For the same quarter, the NCREIF Property Index returned 3.6%, lower than that of the DJW RESI, reflecting the fact that the index is measured on an appraised basis.

- All three plan's REIT portfolios matched the Dow Jones Wilshire REIT Index during the quarter. However, the Judges II and VFF's portfolio trailed the index over the 1-year period. All three REIT portfolios also outperformed the TUCS Real Estate Median return for the quarter.

Deferred Compensation Plan

Historical Performance
Periods Ended March 31, 2006

	Qtr	One Year	Three Year	Five Year	Ten Year
U.S. Equity Option	4.2%	11.7%	17.2%	3.8%	8.8%
Custom S&P 500 Index [5]	*4.3*	*11.5*	*16.9*	*3.9*	*8.9*
Fixed Income U.S. Treasury Option	-0.4	2.1	1.5	3.9	5.4
Lehman Intermediate Treasury	*-0.5*	*1.8*	*1.5*	*3.9*	*5.4*
Lehman Aggregate Bond Index	*-0.6*	*2.3*	*2.9*	*5.1*	*6.3*
Citigroup Medium Term 1-10 Treasury	*-0.3*	*2.0*	*1.7*	*4.5*	*5.7*
Cash Equivalents	1.0	3.3	1.8	1.9	3.6
Citigroup 30 Day T-Bill	*1.0*	*3.5*	*2.0*	*2.1*	*3.5*

Commentary

- The U.S. equity portfolio mirrored the custom tobacco-free S&P 500 Index during the quarter and is performing in-line with expectations.
- The U.S. Treasury option added value relative to the Lehman Aggregate Bond Index and the Lehman Intermediate Treasury Index, but trailed the Citigroup Medium Term 1-10 Treasury during the quarter.
- The cash equivalent account has performed in line with the Citigroup 30 Day T-Bill Index during all times periods.

[5] A tobacco-free S&P 500 is used as the benchmark for the U.S. equity segment of the Deferred Compensation Plan starting with the February 2001 performance.

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June 19, 2006

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Quarterly Performance/Annual Review Reports

II. PROGRAM: Legislators' Retirement System

III. RECOMMENDATION: Information

IV. ANALYSIS:

Attached is Wilshire Associates' Executive Summary of Investment Performance of the Legislators' Retirement System (LRS) for the period ended March 31, 2006. The report was prepared entirely by Wilshire and based solely on its compilation and analysis of the data. The report was reviewed by the Performance Monitoring Unit to substantiate the performance returns.

V. STRATEGIC PLAN:

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

VI. RESULTS/COSTS:

This item provides information to Investment Committee members on the assets and performance of the fund. Wilshire Associates, our general pension consultant, produces this report as one of their contract requirements.

Dana C. Warmenhoven
Investment Officer I

Matt Flynn
Interim Division Chief

Anne Stausboll
Interim Chief Investment Officer

WILSHIRE

Executive Summary

of Investment Performance

Prepared for
California Legislators' Retirement System

First Quarter 2006

Capital Market Overview

- During the first quarter of 2006, improved employment numbers fueled optimism in investors as the US and global stock markets soared. However, the Federal Reserve Board continued its inflation-fighting operations, raising the Fed Funds overnight rate to 4.75% in two 25 basis-point increases as Ben Bernanke took leadership of the Fed and indicated he would be as diligent an inflation-fighter as outgoing Fed Chair, Alan Greenspan. The US stock market was in positive territory with the Dow Jones Wilshire 5000 Index and the S&P 500 Index returning 5.4% and 4.2%, respectively, as investors overlooked rising oil prices and Iran's troublesome nuclear program. The Telecommunications Services Sector was the top performing sector with a return of 15.0%, while the Utilities Sector, hindered by high energy prices, was the worst-performer returning -0.1%. In the first quarter, growth was favored strongly over value among small-cap stocks (DJW Small Growth, 13.94%; DJW Small Value, 11.41%); however, among larger-cap stocks, value was favored over growth (DJW Large Value, 4.96%; DJW Large Growth, 3.52%). From a size standpoint, small stocks outperformed versus large stocks, while micro cap stocks was the top performing segment (Wilshire Micro Cap, 13.9%; DJ Wilshire Small Cap 1750, 12.6%; DJ Wilshire Large Cap 750, 4.3%).

- Non-US equity markets continued to produce strong returns as the MSCI ACWI ex-US returned 9.8% in USD and 8.5% in local currency. European stocks were higher on mergers and acquisitions and outperformed versus the Pacific Region (MSCI Europe 10.8% in USD; MSCI Europe 8.7% in local currency; MSCI Pacific 6.7% in USD; MSCI Pacific 7.1% in local currency). The emerging markets continued to outperform the developed markets as the MSCI EMF Index returned 12.1% in USD and 9.7% in local currency versus the MSCI EAFE Index return of 9.4% in USD and 8.2% in local currency.

- The Federal Reserve continued its policy of raising the discount rate to keep inflation in check. The US Treasury yield curve continued to flatten as short-term yields increased due to higher Fed Funds overnight rates, but longer-term yields were hampered by continued demand for longer-term bonds. The Lehman Aggregate Bond Index was down during the quarter, returning -0.6%. Among the Lehman sectors, the Mortgage sector outperformed the Credit sector, returning -0.1% and -1.2%, respectively, for the quarter. Not surprisingly in a rising interest-rate environment, short-term Treasuries (Lehman 1-3 Year Treasury, 0.35%) outperformed longer-term Treasuries (Lehman Long Term Treasury, -3.62%). High yield bonds outperformed versus investment grade bonds as the Citigroup High Yield Cash Pay Index reported a 2.8% return. The international bond markets beat the U.S. bond market as global bonds performed similarly to their US counterparts. The Citigroup Non-US Government Bond Index generated a return of -0.2% during the quarter.

- The public real estate securities market, as represented by the Dow Jones Wilshire Real Estate Securities Index ("DJWRESI"), continued to be red-hot and posted a return of 15.4% for the quarter. The one year return is a robust 40.6%. The NCREIF Property Index reported a return of 3.6% for the quarter, reflecting the fact that the index is measured on an appraised basis.

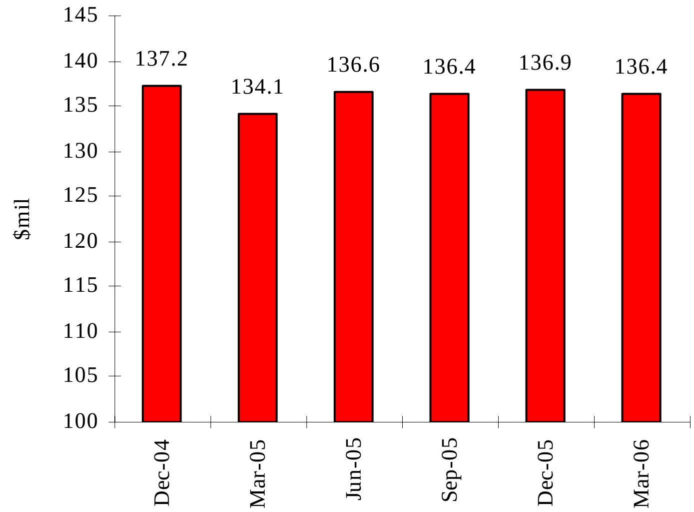
Summary of Index Returns
For Periods Ended March 31, 2006

	Quarter	One Year	Three Years	Five Years	Ten Years
Domestic Equity					
Standard & Poor's 500	4.20%	11.71%	17.21%	3.96%	8.95%
Dow Jones Wilshire 5000	5.44	14.72	19.67	5.95	9.13
Dow Jones Wilshire 4500	9.53	24.76	28.37	12.65	10.16
Wilshire Large Cap 750	4.30	13.04	18.05	4.74	9.01
Wilshire Small Cap 1750	12.64	25.92	31.02	14.70	11.57
Wilshire Micro Cap 2500	13.89	25.64	35.42	22.79	15.10
Domestic Equity					
Wilshire Large Value	4.97%	11.32%	20.16%	7.23%	10.20%
Wilshire Large Growth	3.52	14.97	16.05	2.35	7.39
Wilshire Mid Value	7.76	18.60	23.81	12.67	13.95
Wilshire Mid Growth	9.48	27.86	30.63	12.50	8.46
Wilshire Small Value	11.41	22.49	29.26	16.54	14.37
Wilshire Small Growth	13.94	29.62	32.74	12.55	8.02
International Equity					
MSCI All World ex U.S.	9.76%	28.12%	33.50%	11.77%	7.35%
MSCI EAFE	9.39	24.40	31.13	9.63	6.49
MSCI Europe	10.76	20.64	30.76	9.46	10.10
MSCI Pacific	6.70	33.04	31.73	9.92	1.55
MSCI EMF Index	12.12	47.98	46.65	23.57	7.56
Domestic Fixed Income					
Lehman Aggregate Bond	-0.64%	2.26%	2.92%	5.11%	6.29%
Lehman Credit	-1.16	1.83	3.71	5.97	6.61
Lehman Mortgage	-0.07	2.68	3.12	4.86	6.21
Lehman Treasury	-1.23	1.95	2.10	4.62	6.04
Citigroup High Yield Cash Pay	2.79	6.55	11.47	8.43	7.08
91-Day Treasury Bill	1.03	3.53	2.09	2.24	3.83
International Fixed Income					
Citigroup World Gov. Bond	-0.42%	-4.80%	4.49%	7.50%	5.15%
Citigroup Non-U.S. Gov. Bond	-0.18	-6.48	5.10	8.31	4.57
Citigroup Hedged Non-U.S. Gov.	-0.92	3.45	3.46	4.37	6.99
Currency*					
Euro vs. $	2.59%	-6.89%	3.51%	6.48%	-.-%
Yen vs. $	0.03	-9.35	0.17	1.21	-0.99
Pound vs. $	1.04	-8.21	3.15	4.06	1.28
Real Estate					
Dow Jones Wilshire REIT Index	15.79%	42.17%	33.14%	22.95%	16.75%
Dow Jones Wilshire RESI	15.38	40.61	33.94	22.69	16.29
NCREIF Property Index	3.62	20.19	15.07	11.67	12.23

*Positive values indicate dollar depreciation.

California Legislators' Retirement System

Growth in Assets



Total Fund Performance Results

Total Fund Performance
Periods Ended March 31, 2006

	Qtr	One Year	Three Year	Five Year	Ten Year
LRS	**1.1%**	**7.7%**	**10.6%**	**5.8%**	**8.5%**
Weighted Policy Benchmark [1]	1.0	7.1	10.5	6.3	8.7
TUCS Public Fund Median [2]	4.3	12.4	15.0	6.9	8.6

Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	30.4%	30.0%	+0.4%
International Equity	10.1	10.0	+0.1
US Bonds	49.5	50.0	-0.5
TIPS	9.9	10.0	-0.1
Cash Equivalents	0.0	0.0	0.0
	100.0	100.0	0.0

[1] The weighted policy benchmark returns are based on asset class index returns weighted by asset class policy targets.

[2] The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolio returns subdivided by client type and asset class.

Commentary

- The California Legislators' Retirement System ('LRS, the System') produced a return of 1.1% during the first quarter of 2006, matching its weighted policy benchmark for the same period (1.0%). The System outperformed its benchmark over the 1-year and 3-year period, but has trailed over longer periods. The LRS has underperformed relative to the TUCS Public Fund Median for the quarter and for all longer periods.

- As of March 31, the System's market value was $136.4 million, which represented a net decrease of approximately $0.5 million from the beginning of the quarter. The change in market value consisted of net contribution of $0.1 million, net distribution and administrative fees of $1.9 million and a net investment gain of $1.2 million.

LRS Internal U.S. Equity Assets

LRS Internal U.S. Equity Performance
Periods Ended March 31, 2006

	Qtr	One Year	Three Year	Five Year	Ten Year
LRS U.S. Equity	4.3%	11.7%	17.0%	3.9%	8.9%
Custom S&P 500 Index [3]	4.3	11.5	16.9	3.9	8.9
TUCS Equity Median	5.4	15.5	21.8	6.6	10.3

Commentary

- The U.S. stock market ended the first quarter of 2006 in positive territory, with the Dow Jones Wilshire 5000 Index returning 5.4% and the S&P 500 Index returning 4.2%. From a sector standpoint, Telecommunication Services (15.0%) and Materials (10.0%) were the best performers, while Utilities (-0.1%) was the worst. Performance across style and size spectrums was mixed, with value outperforming growth in the large cap space and growth beating value in the small cap space.

- LRS' U.S. equity portfolio matched the return of its custom benchmark, the S&P 500 ex-tobacco, for the quarter, and continues to track very closely to the benchmark over all longer periods. The U.S. equity portfolio has trailed the TUCS Equity Median return for all time periods shown above.

[3] A custom tobacco-free S&P 500 is used as the benchmark for the U.S. equity segment of LRS starting with the February 2001 performance.

International Equity Performance

Total International Equity Performance
Periods Ended March 31, 2006

	Qtr	One Year	Three Year	Five Year	Ten Year
State Street Int'l	9.4%	24.6%	31.7%	10.0%	6.8%
MSCI EAFE Index	9.4	24.4	31.1	9.6	6.5

Commentary

- The Non-US equity markets enjoyed another great performing quarter, outpacing the US equity markets. With the weakening of US Dollar against major currencies, benchmarks across the board produced higher returns in US Dollar terms. The MSCI ACWI ex-US Index, which includes both developed and emerging markets, returned 9.8% in USD and 8.5% in local currency. The emerging markets, as defined as the MSCI EMF Index, returned 12.1% in USD and 9.7% in local currency and continued to outperform the developed markets (MSCI EAFE Index, 9.4% in USD, 8.2% in local currency). From a regional standpoint, Europe (10.8% in USD) outperformed Pacific Basin (6.7% in USD) during the quarter.

- The System's international equity portfolio also matched the return of its benchmark, the MSCI EAFE Index (Net of Dividends), returning 9.4% during the quarter and is performing in line with expectations.

Total Fixed Income

Total Fixed Income Performance
Periods Ended March 31, 2006

	Qtr	One Year	Three Year	Five Year	Ten Year
LRS Fixed Income	-1.5%	2.8%	3.5%	5.5%	6.7%
Custom Benchmark [4]	-1.7	2.4	4.0	6.2	-.-
Lehman Long Liability ex TIPS	-1.7	-.-	-.-	-.-	-.-
Lehman Aggregate Bond Index	-0.6	2.3	2.9	5.1	6.3
Citigroup LPF Index	-1.9	2.2	3.9	6.1	7.1
TUCS Fixed Income Median	-0.3	2.7	3.5	5.5	6.7
LRS TIPS	-3.1	-2.7	-.-	-.-	-.-
Lehman Long Liability TIPS	-3.3	0.3	-.-	-.-	-.-

Commentary

- The bond markets declined during the quarter, with the Lehman Aggregate Bond Index returning -0.6%, as short term rates continue to climb. Among the Lehman sectors, Treasury (-1.2%) produced the lowest return while Mortgage (-0.1%) produced the highest. High yield bonds outperformed its investment grade counterpart, as the Citigroup High Yield Cash pay Index was in the positive territory, returning 2.8% for the quarter. Non-US bonds continued to lag the U.S. bond markets as the Citigroup Non-US Government Bond Index returned a -0.2% in USD term.

- For the quarter, the System's fixed income portfolio produced similar return to its custom benchmark, the Lehman Long Liability ex TIPS Index. The portfolio outperformed the Citigroup LPF Index but trailed the Lehman Aggregate Bond Index and the TUCS Fixed Income Median return for the same period. Over longer terms, the fixed income portfolio has outperformed the Lehman Aggregate Bond Index and matched the TUCS Fixed Income Median. Against the Citigroup LPF Index, however, the portfolio has trailed over the 3-year, 5-year, and the 10-year period.

- The System's TIPS portfolio also mirrored its benchmark, the Lehman Long Liabilities TIPS Index, during the quarter, but continues to trail over the 1-year period.

[4] The Lehman Long Liability ex TIPS is used as the benchmark starting July 2005. Prior of that the benchmark was Citigroup LPF.